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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 005362

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TAGS: [PREL](#) [EAID](#) [ETRD](#) [EFIS](#) [ECIN](#) [CH](#) [FJ](#) [PP](#) [TW](#)
SUBJECT: PRC-PACIFIC ISLAND CONFERENCE: BUSINESS AND AID,
WITH TAIWAN IN THE BACKGROUND

REF: A. SUVA 00055

[1](#)B. PORT MORESBY 00073

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Classified By: Political External Unit Chief Edgard Kagan. Reasons 1.4
(b) and (d).

Summary

[1](#)1. (C) PRC Premier Wen Jiabao will use the first visit by a PRC Premier to a Pacific Island nation to launch a China-Fiji co-hosted economic development and cooperation conference on April 5, according to a MOFCOM American and Oceanian Affairs Division Director. MOFCOM Minister Bo Xilai will join regional ministers in signing a "Guiding Framework" on economic cooperation, while Pacific Island and PRC businesses will solidify business deals during the two-day event. Fiji is the co-host after the Pacific Island Forum dropped its official participation due to pressure from its members who recognize Taiwan, although the MOFCOM official claimed some have now decided to attend the conference. The Pacific Island nations are looking for more PRC assistance, while Beijing is pushing Chinese businesses to invest and secure access to the region's natural resources. A New Zealand Embassy political officer said China's sporadic assistance focuses on "prestige" projects, while Taiwan is more effective in using its money to line politicians' pockets. Debate over playing the "recognition card" and the influx of money from the PRC and Taiwan often leads to instability. The New Zealand Embassy officer lamented that China's "extractive" approach to the region's resources is "less than responsible." An Australian Embassy officer commented that Premier Wen will meet with all twelve heads of state or government who plan to attend the conference, noting that this alone will probably earn the gratitude of many Pacific Island leaders. End summary.

PRC: Yearlong Effort Pays Off

[1](#)2. (C) On March 14 MOFCOM American and Oceanian Affairs Division Director Liu Yi briefed Emboffs on the "China-Pacific Island Countries Economic Development and Cooperation Forum Ministerial Conference 2006" co-sponsored by the PRC and Fiji that will be held in Nadi, Fiji on April

5-6. Liu said this event is the end-result of a yearlong effort by China after first broaching the idea with the Pacific island nations in February 2005. Beijing has sent several advance teams to the area to help organize the event. Overall, there has been a warm response from each of the island nations, according to Liu. China expects to hold the conference every two or three years, with the location alternating between China and a Pacific Island nation.

Wen Jiabao: First PRC Premier to Visit Region

13. (C) Liu said the event will coincide with the first official visit by a PRC Premier to the Pacific Island region. Premier Wen Jiabao will arrive in Fiji on April 4, the second leg of a trip that will start in Australia and include stops in New Zealand and Southeast Asia. Liu reported that Premier Wen will hold bilateral meetings with Fiji leaders on April 4 and then join heads of state from most of the attending Pacific Island nations to open the conference on April 5 before departing for New Zealand.

Ministerial and Business Meetings

14. (C) Liu said the first day of the conference will also include a ministerial conference, in which Minister of Commerce Bo Xilai will participate. There will be seminars on trade and investment, capacity building, tourism, transportation and agriculture, including fisheries and forestry. On the second day, Pacific island businesses will meet with approximately 100 representatives from Chinese businesses that are already invested in the area or are interested in making Pacific island investments. Liu is hopeful that these meetings will result in many new business deals.

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"Guiding Framework" Meets PRC Interests

15. (C) China expects to sign a ministerial-level "Guiding Framework" with all of the attending Pacific Island nations. Liu said all of the attending nations have already "initialed" the non-binding document, which covers general procedures to promote cooperation in trade and investment, capacity building, tourism, transportation and agriculture, including fisheries and forestry. The island nations are interested in developing these areas and have requested PRC assistance, according to Liu. China's interest is access to the regional fishery, forestry and other natural resources, Liu continued, while the Pacific island nations are most interested in promoting their tourism industries, increasing Chinese investment and securing more PRC assistance.

Nations That Recognize Taiwan to Attend?

16. (C) Liu said China chose Fiji as a co-host due to Fiji's central location among the Pacific island nations, relatively frequent flights and because it is the headquarters of the Pacific Island Forum (PIF) Secretariat. When asked about PIF's involvement, Liu admitted that China had originally approached the PIF to co-host the event and the PIF Secretariat had sent out invitations to all of its members.

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The PIF then "quit," however, after "some PIF members" refused to attend, Liu said. When pressed, Liu admitted that those PIF members were the ones that do not have diplomatic relations with Beijing, though she added that some of the nations that recognize Taiwan have now decided to attend the Conference nonetheless. Liu said she had heard that Taiwan would be "doing something" in reaction to the conference but she refused to give any details.

¶17. (C) Commenting on the level of assistance the PRC provides to the region, Liu said there is only so much Beijing can do with its limited resources, especially since other regions of the world, like Africa, Latin America and Southeast Asia are more important and have a greater need. Nonetheless, China feels it must try to meet the island nations' demands and is pressing Chinese companies to increase their investment in the island nations in order to make up for the shortfall. Liu said that China, besides providing training and other capacity building programs, has built roads, hospitals, transportation systems and sports facilities and arenas. Liu said China had recently responded to Samoa's need and built a new stadium specifically for the upcoming South Pacific Island Games in Samoa.

The View from New Zealand

¶18. (C/NF) During a separate meeting, New Zealand Embassy Political Officer Grahame Morton provided Poloff his perspectives on the conference and the PRC-Taiwan rivalry in the region. Morton said the "Guiding Framework" for China-Pacific Island cooperation is very similar to the agreements China signed with Africa, the Caribbean and Latin America. Morton expects Beijing to follow-up by using the document as a road map for PRC involvement in the region. China will foot the airfare and hotel bill for the island nations' conference participants, which is keeping with fairly standard practice for the region, according to Morton.

Besides saving the island nations money, this also provides cover for the bureaucrats and politicians from criticism of their frequent travel and use of government funds. Australia and New Zealand will attend, after coordinating the level of participation with each other. Neither expects to rock the boat, but rather will be interested in China's actions and tone during the event, according to Morton. Details are still scant, Morton continued, but Taiwan is reportedly planning its own conference in July.

¶19. (C/NF) Morton said that Taiwan's efforts in the region have been comparatively more active and skillful, putting more money, by way of official assistance and private investment, into the island nations. Taiwan is also more apt

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to engage in less scrupulous activities, continued Morton, including bribing politicians and government officials and directing assistance into projects they specify. PRC assistance, lagging behind Taiwan's both in terms of volume and quality, largely focuses on high profile, prestige projects like sports stadiums, courthouses, government buildings and official residences. Unlike Taipei or Tokyo's assistance programs, Beijing opts to bring in work crews from the Mainland, rather than hiring local workers, Morton observed.

¶10. (C/NF) Morton commented that Beijing's assistance and economic support directed at the Pacific nations is sporadic and inconsistent, with significant upward spikes if there is a switch of recognition, or even a rumor to that effect. The island nations are not shy about playing this card, with area politicians regularly debating the timing and amount of the expected windfall. Often this debate causes instability in the shaky island nations' governments, Morton lamented, as political factions stake out positions, bribes flow into pockets and scandals flourish as politicians see opportunities to drag opponents through the mud.

¶11. (C/NF) Morton said New Zealand's main regional interests are to promote stable governments, conserve the area's natural resources and encourage the economic development of its island neighbors. Beijing views the area quite

differently. Competition with Taiwan for recognition is paramount. Economically, China is largely extractive in its approach, despite lip service to "sustainable development." Morton said New Zealand finds China acting in less than a responsible fashion, as Beijing tends to extract rather than conserve resources, causes political instability by putting on the pressure over Taiwan and focuses overly on "prestige" projects as opposed to the real economic development needs of the area. NZ recognizes that it does not have the power to keep China out of the region nor is it in a position to lecture China about being a "responsible stakeholder." The best New Zealand can do is to engage in a dialogue with China and seek areas of cooperation, Morton concluded.

Australian: Wen Gives Face to Pacific Island Leaders

¶12. (C/NF) Australian Embassy Political Officer Scott Dewar told Poloff March 17 that Canberra appears to be keeping a watchful eye on Wen's trip, which will follow immediately his April 1-4 visit to Perth and Canberra. Dewar said that Wen will meet with all twelve of the Pacific island heads of state or government who will participate in the conference, commenting that his willingness to meet these leaders should carry great weight with them. Dewar commented that the PRC is well aware of the impact of giving good treatment to the leader of a small country.

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